

August 9, 2002 **Draft Competitive Solicitation Process**

A. Determine Requirements: In anticipation of competitive solicitation, system needs, current status, and agreement on base assumptions is needed. Components include:

1. UDC prepares Load Forecast
2. UDC develops Resource Plan
 - a. Owned Generation
 - b. Existing contracted Supplies
 - c. Reliability Must Run plants
 - d. Environmental Portfolio Standards (EPS) requirement
 - e. Demand Side Management (DSM) contribution
 - f. Plant additions/retirements
 - g. Outage schedule
 - h. Unmet needs
3. UDC Develops Needs Assessment
 - a. Capacity needs
 - b. Energy needs
 - c. Transmission constraints/upgrades
 - d. Environmental Performance standards needs

B. Review of core assumptions before Solicitation is started to assure credibility of the process and ensure necessary and appropriate data is provided to bidders.

4. Review Load Forecast, Resource Plan and needs assessment with ACC Staff regarding:
 - a. Load forecast assumptions
 - b. Adequacy and reliability of committed resources
 - c. Diversity of planned supply
 - d. Risk management and planned mitigation
 - e. Forecast power supply costs

C. Plan the Solicitation: The Solicitation must be sufficiently specific to encourage bidders to respond with specific product offerings, and flexible so bidders are encouraged to respond with creative ways to meet the system needs. Also, the Solicitation should provide full disclosure to bidders of the evaluation and selection criteria to instill confidence in the process, which will encourage bidding.

5. UDC remains responsible for meeting its service responsibilities including EPS commitment
 - a. Makes a final selection
 - b. Not required to build new generation

6. Define contestable load /generation
 - a. Load growth
 - b. Unmet needs (those in excess of owned generation, plus contracted power supplies)
 - c. Environmentally challenged plants
 - d. Load served by plants owned by UDC affiliate
 - e. UDC-owned new generation
 - f. RMR plants (for hours when local load exceeds transmission capability)
 - g. UDC-owned proposed new generation
7. Determine specific products to be acquired
 - a. Block power, e.g., standardized products
 - b. Unit commitments
 - c. DSM
 - d. EPS
 - e. Slice of system (hourly or capacity)
8. Determine term for each product
 - a. Short term (1 year or less)
 - b. Medium term (1 to 3 years)
 - c. Long term (3 to 7 years)
9. Establish delivery points based on transmission capabilities
 - a. UDC to provide transmission access to suppliers on non discriminatory basis
 - b. Determine responsibility for losses
 - c. Define points for delivery
 - d. Define equivalent delivery point characteristics
 - i. Cost
 - ii. Impacts on load flow
 - iii. Timely upgrade
10. Identify bidders for each product (who will the UDC contact to solicit bids)
(Bidders not identified are eligible to bid, if qualifications are met)
 - a. Capability (e.g. asset backed, brokers, etc.)
 - b. Reputation for deliverability
 - c. Preliminary creditworthiness
 - d. EPS may bid during any solicitation or, at their option, contract with the UDC to meet the UDC's EPS commitment
 - e. DSM may be bid in competitive solicitation.

11. Establish a Communication protocol
 - a. Access to data
 - b. Confidentiality
 - c. Shared Information
 - i. FAQ's
 - ii. Data requests
 - d. Methods to be used
 - i. Web site
 - ii. Single point of contact
12. Prohibited contacts
13. Establish evaluative criteria
 - a. Deliverability
 - i. Demonstrated access
 - ii. Cost of upgrades
 - iii. Supplier ability to secure access
 - b. Price
 - i. Net present value
 - ii. Structure
 - iii. Predictability
 - c. Credit
 - i. Ratings
 - ii. Guarantees
 - iii. Viability
 - d. Reliability
 - i. Reserves
 - ii. Asset Quality
 - iii. Demonstrated operator capability
 - iv. Ancillary Services
 - e. Conformity to bid specs and proposed contract terms
 - f. Impacts on system
 - i. Reliability
 - ii. Cost
 - iii. Flexibility
 - iv. Load flow
 - g. Environmental value
14. Prepare Draft Contract
 - a. Terms and conditions
 - b. Form of contract
 - c. Controlling law, regulations and rules

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15. Prepare Draft Information package to be delivered to potential bidders
 - a. UDC company data
 - b. Load data
 - c. Schedule
 - d. Confidentiality agreement
 - e. Contact information
16. Determine procurement method to be used
 - a. RFPs
 - b. Descending clock auctions
 - c. Other auctions
 - d. Bilateral negotiations
17. Prepare Draft Request for Bids
 - a. Terms and conditions
 - i. Right to reject all bids
 - ii. Indemnification
 - b. Maximum bids
 - i. Price caps
 - ii. MW caps
 - c. Requirements
 - i. Duration
 - ii. Pricing
 - iii. Reserves
 - iv. Generation reliability
 - v. Dispatchability
 - vi. Transmission access and deliverability
 - vii. Other ancillary services
 - d. Bid fees
 - e. Credit requirements
 - f. Evaluative criteria
 - g. Access to UDC data
 - h. Confidentiality Agreement
18. The ACC appoints an Independent Monitor to review the preparation for the solicitation and to oversee the solicitation (May be a Staff Member)
 - a. Conformity with the process
 - b. Equity of the evaluation of bids
 - c. Adherence to Codes of Conduct re Affiliates
 - d. Reasonableness of the bids accepted
 - e. Technical advisor to the Staff
19. UDC reviews plan and draft documents with Independent Monitor and ACC Staff.

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D. Conduct the Solicitation: With the agreement of the Independent Monitor and the Staff that the Solicitation packet is comprehensive and accurate, the Solicitation should be provided to prospective bidders and the bidding process is begun.

20. Advertise for bids

- a. Contact all identified bidders
- b. Post the solicitation on UDC web site
- c. Bidders submit
 - i. Early interest letters
 - ii. Access to drafts
 - iii. Executed Confidentiality Agreement
 - iv. Access to UDC data
- d. Solicit bidder comments

21. Finalize Draft Request for Bids and Power Supply Contract

22. Assign team of UDC personnel to do the evaluation of bids received

- a. Team to evaluate
 - i. Pricing
 - ii. Credit worthiness
 - iii. Generation reliability
 - iv. Impacts on Transmission System
 - v. Environmental benefits
 - vi. Effects of proposed contract modifications
 - vii. Impacts of any nonconforming bid

23. Perform pre-qualification evaluation, as required

- a. Qualification to bid
- b. Qualification to contract

24. Issue Request for Bids and proposed Contract

- a. If RFP, bids due in 1 month (for Unit power)
- b. If auction, establish auction date

E. Selection of winning bidders

25. In an RFP process, short list best bids and conduct either second round bids or individual negotiations

- a. Select winning bids
- b. Review with Monitor
- c. Execute Contract

26. In an Auction, select winning bids
 - a. Review with Monitor
 - b. Execute contract
27. UDC to maintain all solicitation records.

F. Post Selection Review.

28. Prepare confidential report to ACC
 - a. Describe process
 - b. Describe bids received
 - c. Describe basis for selection
29. Submit confidential report to ACC
30. Submit redacted version for public use
31. ACC determines reasonableness of solicitation process and conformity to ACC Rules and Regulations

G. Dispute Resolution

32. Alternative dispute resolution
33. ACC role
34. Role of Courts